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From: Director, Community Programs Service Office

Subj: NAVY-WIDE OPERATING PROCEDURES FOR USE OF THE
PURCHASE CARD FOR COMMANDER NAVY INSTALLATION
NONAPPROPRIATED FUND INSTRUMENTALITIES

Ref: (a) EBUSOPSOFFINST 4200.2
(b) BUPERSINST 7043.1B Nonappropriated Fund (NAF)
Procurement Policy
(c) Department of Defense Financial Management
Regulation
(FMR), DOD 7000.14-R
(d) DOD 5500, 7-R, Joint Ethics Regulation.

1. Purpose: To establish nonappropriated fund (NAF) procurement policy and procedures for Department of the Navy (DON) Commander, Navy Installations (CNI), Nonappropriated Fund Instrumentalities (NAFIs) using NAF purchase cards to acquire supplies, services and construction requirements. The purchase card program provides NAF personnel a convenient and commercially available method to efficiently make purchases, usually at the merchant point of sale. This program reduces the need for petty cash fund transactions, streamlines the payment process by reducing the number of checks processed for individual purchases, and provides a vendor payment method for Information, Tickets, Tours (ITT) consignment agreements. The program also frees local Contracting Offices to focus their talents on more complex, higher-dollar procurements.

2. Applicability: This Standard Operating Procedure (SOP) applies to all NAFIs using the DON NAF purchase card. Activities using this purchase card program must initially read and comply with DON eBusiness Operations Office Instruction 4200.2 in its entirety, and in conjunction with this SOP. This SOP is supplemental to DON eBusiness Operations Office Instruction (EBUSOPSOFFINST) 4200.2. The DON EBUSOPSOFFINST 4200.2 and this SOP have the force and effect of Navy regulations. Former PERS-65 Standard operating Procedure for the use of the NAF Purchase Card Program dated December 2002 is hereby rescinded and replaced with this SOP.

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3. Supplementation: This SOP may be supplemented by individual NAFIs to the extent that it does not conflict or give authority beyond the guidelines established in this SOP, DON EBUSOPSOFFINST 4200.2 and applicable references. All activity supplements must be approved by the Level 4 NAF Purchase Card Agency Program Coordinator, CNI Millington Detachment, Millington, TN.

4. CNI Millington Det Contracting Office is responsible for the administration and maintenance of this SOP. If you find any errors, or have comments and suggestions on the quality and usefulness of this SOP, please reference the applicable area and send your comments in one of the following ways.

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T. R. MCFADDEN
By direction

Distribution:
NAFI Level 5 Agency Program Coordinators
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CHAPTER 1

POLICIES AND PROCEDURES

1-1 Scope. This chapter provides policy and procedures for use of the purchase card by Navy Nonappropriated Fund Instrumentalities (NAFIs) to purchase supplies and services, and construction using nonappropriated funds, as required to support the mission.

1-2. Policy. Unless otherwise indicated, the procedures contained in this SOP apply to CHs performing tasks of ordering, obtaining and paying for supplies, services or construction. The purchase card shall only be used for authorized U.S. Government purchases. Intentional use of the purchase card for other than official Government business will be considered an attempt to commit fraud against the U.S. Government and will result in immediate cancellation of an individual's purchase card and potential disciplinary action. In the absence of specific statutory authority, purchase of items for the personal benefit of government employees represents improper transactions. The use of the purchase card for personal purchases for any reason is strictly prohibited.

a. The purchase card may be used to buy and pay for requirements valued at or below \$5,000 for designated CHs and \$25,000 (\$50,000 for resale) or less for CHs with a valid NAF contracting officer's warrant. Purchases between \$5,000 and \$25,000 (\$50,000 for resale) must be accomplished by a designated NAF contracting officer as long as the amount is within the contracting officer's warrant.

b. The purchase card can also be used as a method of payment when paying for tickets on consignment, i.e., cruise and vacation packages (all-inclusive resorts, consolidator packages, air and land vacations packaged by a vendor, and any packages purchased using Cruise Line International Association (CLIA) or International Airlines Travel Agent Network (IATAN) credentials) for MWR patrons. Since no non-appropriated funds are involved in the transaction, cruise and vacation packages do not require a contract between the NAFI and a vendor (the contract is between the patron and the vendor). ITT collects and deposits fees from patrons to a NAF account and then makes either an individual or bulk payment to the vendor using the NAF Purchase Card. APCs should set ITT CHs single purchase limits in accordance with the average amount of payments of this type at their location.

1-3. Authorized Use of Nonappropriated Funds. All APCs, AOs, and CHs are entrusted with the major responsibility of the proper utilization of NAF funds. All card participants should be familiar with the complete listing of prohibited and regulated purchases in Chapter 4.

The use of the purchase card for personal purchases and cash advances are strictly prohibited. CHs shall only accept credit for non-receipt of returned or damaged items initially purchased using the NAF purchase card. Under no circumstance will CHs

accept a cash refund, will the CHs retain gift checks, or other purchase incentives that can be converted to personal use.

b. CHs shall not make split purchases in order to circumvent purchase limits. A split requirement is breaking requirements into several purchases that are less than the CH's authorized purchase limit to circumvent the purchase card limit or procurement competition threshold. A split purchase is the intentional breaking down of a known requirement to stay within a threshold.

c. CHs shall obtain proper approvals and ensure adherence to all local internal approval processes prior to using the purchase card.

d. CHs shall screen all requirements for availability from mandatory sources as per BUPERSINST 7043.1B, para. 208. (See Chap 4-4 for mandatory requirement screening)

e. Use of convenience checks is not authorized.

1-4. Purchase Card Issuance. The following categories of personnel may be issued a purchase card or be appointed an approving official to accomplish official duties:

- a. Civilian Government employees;
- b. Members of the Armed Forces; and
- c. Foreign nationals (both direct and indirect hires) subject to operational control and day-to-day management and supervision by U.S. Civilian and Military personnel.

1-5. Financial Management Requirements. The Department of Defense (DOD) Financial Management Regulation (FMR) provides overall financial management policy governing all financial transactions within the Department including Government Commercial Purchase Card (GCPC) transactions. The FMR volumes that are applicable to NAF are 1,2,4,6,8,10,13, and 15. The DOD FMR web site address is <http://www.dtic.mil/comptroller/fmr/>.

a. Funding requirements. CHs are responsible for ensuring that funds are available prior to making commitments with the purchase card.

b. Pay and Confirm Procedures. NAF activities operating a Purchase Card program shall institute pay and confirm procedures as part of their financial management program. Pay and confirm procedures are used in instances where CHs have been billed and have not received the items ordered. CHs shall confirm with the vendor that the items ordered are in transit and reconcile the monthly statement in full anticipation that the supplies will be received within the next billing cycle. The CHs shall track the transactions that have not been received and pay the invoice in full. If the supplies are not received within the next billing cycle, CHs will coordinate with vendor to receive credit or dispute the item using established dispute procedures. In addition, pay and confirm procedures include damaged items received, which are still under warranty,

where the contractor confirms he/she will replace, modify, or repair within the next billing cycle.

1-6. Disputable Charges. Disputes involving the following items must be handled between the CH and the bank (with notification to the APC): duplicate billing, non-receipt of merchandise, returned merchandise, cancelled orders or services and invoice amount discrepancies. Prior to submitting a formal dispute form, the CH must initiate communication with the vendor or bank to attempt to resolve the dispute and notify the APC of the dispute. Once a dispute has been filed, the bank will suspend the disputed charge from the outstanding balance due, issue a provisional credit and acknowledge initiation of the dispute to the CH. Based on the outcome of the dispute process, the charge will either be resolved in favor of the CH or the merchant. If the dispute is resolved in favor of the CH, the charge is removed from the account. If the dispute is resolved in favor of the merchant, a letter will be sent to the CH explaining the decision and the charge will appear in the balance due on the next invoice. It is recommended that the CH try resolving the dispute with the vendor first, then, if appropriate, file a dispute if the credit is not received on the next billing cycle. All dispute documentation should be retained by organization requirements as with other CH purchase transactions.

1-7. Non-disputable Charges. Charges on the CH's statement that involve misuse or abuse by the CH are not disputable with the bank. If the transaction was processed in accordance with the controls established (i.e., within the purchase limits, not from a vendor with a blocked Merchant Category Code) then the bank has fulfilled its responsibilities under the contract and the government is obligated to make payment for the transaction. The government must seek restitution from the employee for any losses as a result of their improper transaction. Accordingly, transactions that are determined to be fraudulent (i.e., use of a lost or stolen card) or unauthorized by the CH shall not be certified for payment. A formal dispute will be initiated with the bank and the invoice shall be "short paid" by the amount of the transaction(s).

1-8. Developing Local Standard Operating Procedures (SOP). NAF activities participating in the Purchase Card program may supplement this operating instruction to add local policies and procedures that do not conflict with this SOP. When added, local internal operating procedures shall be provided to all Purchase Card program personnel and the HQ Navy MWR Level 4 APC.

CHAPTER 2

BANK HIERARCHY STRUCTURE, PROGRAM ROLES AND RESPONSIBILITIES

2-1. Hierarchy Structure, Roles and Responsibility.

This chapter provides guidance on the hierarchy levels, functions, and responsibilities of Navy NAF personnel involved in the DON NAFI Purchase Card program. Head of Activity (HA) or designee, Agency Program Coordinators (APC), Approving Officials (AO), and Purchase CHs (CH) each has specific responsibilities in the program.

2-2. Hierarchy Levels. The Navy NAF purchase card program is based on a seven-level reporting hierarchy. This bank hierarchy structure provides a tracking and communication channel for all working levels in the purchase card program. The current hierarchy level positions and responsibilities are shown below.

Hierarchy Level 1 (HL1): 01700 - Department of Defense

Hierarchy Level 2 (HL2): 00017 - Navy - DoN eBusiness Operations Office

Hierarchy Level 3 (HL3): 00052 - Commander, Navy Installations (CNI) APC

Hierarchy Level 4 (HL4): 00021 - CNI Millington Det, Program APC

Hierarchy Level 5 (HL5): xxxxx - Regional/Local APC and/or Head of Activity

Hierarchy Level 6 (HL6): xxxxx - Local Approving Official

Hierarchy Level 7 (HL7): Card# - CHs

a. **Level 1** is the DoD Purchase Card Joint Program Management Office (PMO) representing the Department of Defense as a whole. The DoD Government Purchase Card Program is managed by Office of the Under Secretary of Defense (Acquisition, Technology and Logistics) and its Purchase Card Program Management Office (PMO). The PMO establishes annual training and documentation requirements for CHs, other officials and oversees the Purchase Card Program.

b. **Level 2** identifies the military service. The DON eBusiness Operations Office is the level 2 agency for the Navy. This office is the focal point for the DON GPCP program and serves as a liaison between Navy organizations, the bank, the DoD Purchase Card Joint Program Management Office, and the General Services Administration (GSA).

c. **Level 3** is Headquarters Commander, Navy Installations, (CNI) APC. The CNI APC is the liaison between DON and the bank. The Level 3 has overall responsibility for managing the CNI purchase card programs worldwide.

d. **Level 4** is the CNI Millington Detachment, which includes Head of Contracting Activity (HCA), and the HQ NAF Agency Program Coordinator (APC). Head of Contracting Activity (HCA) is the individual in the position of Director of Community Support, CNI Millington Detachment (N25). This position has overall HQ Navy NAF contracting authority and responsibility for the management of the Navy NAF purchase

card program. The HCA will issue an appointment letter for the level 4 HQ Navy NAF APC describing the duties and responsibilities of the position.

(1) The HQ Navy NAF Level 4 APC duties include but are not limited to the following: Has overall responsibility for administration and oversight of all CNI NAF purchase card programs worldwide. Serves as the point of contact for all Navy NAF purchase card issues and as the liaison between the bank, eBusiness program office, CNI and other NAF APCs. Receives and issues guidance from higher-level authorities. Establishes and maintains program-wide communication to include dissemination of program policies and procedures. Ensures level 5 programs are established in accordance with required policy and provides guidance and support as needed. Reviews delinquency report from the bank and assists in resolving delinquent accounts as required. Reconciles a combined semi-annual review report. Coordinates appropriate local billing and prompt payment procedures with the HQ NAF Finance office to ensure timely payment to prevent delinquencies.

e. **Level 5** identifies the region or local activity's APC and Head of Activity if applicable.

(1) **Head of Activity (HA)**. The Head of Activity is the appointed individual with overall responsibility for the regional/local activity. Has overall responsibility for managing the Level 5 purchase card program. Additionally responsible for the following program elements:

(a). Recommends and provides justification in writing to Level 4 for the establishment of a purchase card program and the appointment of an APC.

(b). Establishes effective internal management controls to ensure appropriate management, operation, and oversight of the local program.

(c). Ensures the local program is being executed in accordance with NAF policy and guidance. Follow SOP procedures listed in Chapter 5 identifying informal and formal disciplinary action to be taken against APCs, AOs, and CHs for non-compliance, fraud, misuse and/or abuse. Establishes and maintains a command climate to prevent requiring or requesting personnel from exercising undue influence over the actions of a purchase CHs. Ensures that all participants in the Purchase Card Program have specific performance requirements to be met in their purchase card roles. The purchase card program participants' performance must be evaluated against its various roles and responsibilities requirements. Reviews the findings of the semi-annual program reviews and take any necessary action to correct any noted deficiencies.

(2) **Level 5, APC Duties**. The APC serves as the focal point for overseeing the program at the regional/local activity and is the primary contact for CHs, AOs and related purchase card services. The primary responsibility of the APC is to maintain the integrity of the activity's purchase card program and serve as the liaison between the region/local activity, Citibank, and Level 4 (HQ NAF CNI Millington APC). Ensures

execution of the local program in accordance with DOD, DON, and HQ NAVY NAF specific policies and procedures. APCs must further establish necessary internal management controls by which to manage, operate, and provide oversight of the local program. The APC must be familiar with current NAF procurement and purchase card policy, and monitor purchase card purchases to spot trends that may require institution of different procurement procedures. The APC must coordinate with the NAF Contracting and Finance offices to ensure a viable program. Additionally the APC is responsible for the following:

- (a). Provides training requirements and process account applicants.
- (b). Maintains an individual file for each AO and CH to include a copy of the request for appointment, appointment letter, training documentation, and account setup form.
- (c). Maintains an updated list of AOs, CHs, telephone numbers and emails. The Citibank Reporting System can be used to list program participants by using different sort sequences. The APC can maintain a separate list of participants either manually or by using some other automation tool of their own choosing, i.e. a spreadsheet. However accomplished, the APC must keep an accurate record of all CHs and AOs under his/her command.
- (d). Ensures AO and purchase CH profiles are appropriate for local mission. Performs regularly scheduled maintenance, no less than semi-annually on command AO and purchase card accounts to ensure that the account profile information is current and accurate. Examines frequency of card usage and ensure the AO card account span of control remains within specified limits (no more than 7 card accounts to 1 AO).
- (e). Notifies HA to ensure that appropriate action is taken when local reviews reveal non-compliance, misuse and/or abuse.
- (f). Makes appropriate arrangements with activity's personnel office to receive prompt notification (NLT 30days) to close CHs accounts when employee(s) retire, transfer or terminate employment.
- (g). Conducts monthly transactional purchase card statement reviews and semi-annual reviews of the region/local activity's program in accordance Chapter 5.3. Monthly reviews shall be conducted either by visually reviewing individual statements and receipts or by utilizing report tools available from Citidirect. The results of the semi-annual review shall be reported up through the chain of command to the Level 4 APC.
- (h). Serves as Bank point of contact for all fraud related inquiries regarding the accounts under APC's purview.
- (i). Provide briefings as needed to all levels of management on the status of the purchase card program.

(j). Disseminate information from the NAF Level 4 APC and the DON Program Management Office to the activities purchase card program participants.

(k). Attends eBusiness' annual APC conference, when funding permits. The conference will help to ensure that the APC remains current with program issues and topics to effectively manage the program.

(l). Coordinates local billing and prompt payment procedures with appropriate NAF Finance office to ensure timely payment to prevent delinquencies.

f. **Level 6 AO Duties.** Level 6 identifies the AO/Certifying Official at the local activity. AO and Certifying Official are synonymous in the DON Purchase Card program and for the purposes of this instruction will be referred to as Approving Officials (AOs). The AO position within the purchase card program carries supervisory responsibilities. Therefore, AOs should, to the greatest extent possible, be CH's supervisor or in the supervisory chain of the CH. The AO official is monetarily liable for any illegal, improper, or incorrect payment processed.

(1) Ensures that all purchases accomplished by the CHs within their cognizance are appropriate and the charges accurate.

(2) Verifies CHs transactions match the CHs purchase log and that supporting transaction documentation is available prior to certifying the monthly invoice. The AO is initially responsible for resolving any questionable CHs transactions.

(3) Notifies the APC in the event of any suspected unauthorized purchase (purchases that would indicate non-compliance, fraud, misuse and/or abuse).

(4) Ensures proper receipt and inspection is accomplished on all items being certified for payment. The AO shall verify the existence of proper separation of function for receipt and signature of all purchases. If the CH receives via mail delivery picks up the purchase at the merchant's location, the end user or other designated receiving personnel shall legibly print their name and title, then sign and date the receipt confirming independent receipt, inspection and acceptance of the material or services. If the purchase CH is the end user, the purchase CH shall ensure another Government employee co-signs, along with their printed name, title, and dates the receipt.

(5) The AO shall promptly notify the APC whenever a CH's account requires cancellation due to employee(s) duty reassignment, transfer, retirement or termination of employment. On any accounts that are cancelled, the AO must ensure that all transactions are properly received and accounted for. The APC must also notify the APC if he/she is no longer serving in the capacity of an AO.

(6) Due to activity manning, an AO may be a CH (with justification approval from eBusiness), however they may not be a CH under their own AO account. An individual that is an AO and due to activity manning constraints or other viable reasons require an

CH account, must have their CH's account set-up under a separate AO account. Under no circumstance shall an AO have a CH account set-up under their AO account.

g. **Level 7 CH Duties.** Level 7 identifies the individual CH. The purchase card bears the CH's name, number and may only be used by the named CH for authorized purchases. CH duties include the following:

(1) A CH must receive and sign a proper delegation letter before making any purchase card transactions. CHs are officially granted authority to make purchases on behalf of the NAFI when they are in receipt of a Letter of Delegation.

(2) Ensures proper & adequate funding is available prior to any purchase card action.

(3) Checks all mandatory Government sources of supply for availability of your requirement. See paragraph 3-6d for additional information.

(4) Purchases only mission essential requirements at fair and reasonable prices from responsible suppliers and only if mandatory sources are unavailable. Ensure that a reasonable price is obtained by comparing prices offered by other merchants for the same or similar item or service. Rotate sources among available suppliers. Continued use of the same source may indicate collusion and an attempt to commit fraud against the government.

(5) Ensures a proper separation of function is occurring for each purchase card transaction. If the CH is the end user, the purchase CHs shall ensure another Government employee co-signs, along with their printed name, title, and dates the receipt.

(a) If the CH purchases over the phone or online and receives purchase via mail delivery or picks up the purchase at the merchant's location, the end user or other designated receiving personnel shall legibly print their name and title, then sign and date the receipt (or packing slip) confirming independent receipt, inspection and acceptance of the material or services.

(b) For subscriptions, a receipt indicating the beginning and ending dates of the subscription period should be attached to the CH's statement, and will suffice for receiving documentation.

(c) For purchases of training, the individual attending training shall provide a receiving signature attesting that the training was received and/or scheduled.

(d) For purchases shipped to a distant location, an email, faxed copy or other written documentation shall be obtained from the ship-to location attesting to receipt of the purchase.

(6) Maintains either a manual or automated log that documents individual transactions and screening for mandatory sources of supply. The purchase card log and supporting documentation should provide at a minimum the information below to provide an audit trail supporting the decision to use the card and any required special approvals that were obtained:

- (a). Date the item or service was ordered.
- (b). The merchant name.
- (c). The dollar amount of the transaction.
- (d). A description of the item or service ordered.
- (e). Date of receipt of item.
- (f). Printed name and signature of individual receiving item or service.
- (g). Paid but not received (pay and confirm)
- (h). Credit received
- (i). Disputed purchases

(7) Reviews the monthly purchase card statement to ensure that all charges are proper and accurate.

(8) Forwards the monthly purchase card statement to the AO with the appropriate supporting documentation, (i.e., original sales slips, documentation of receipt and acceptance, purchase log, etc.) in a timely manner to minimize prompt payment penalties and maximize rebates. If for some reason, the CHs does not have documentation of the transaction, an explanation will need to be attached to the statement during the reconciliation process. See the Navy MWR Purchase Card web site for copy of Missing Receipt Documentation.

(9) Follows the appropriate local procedures for 'pay and confirm' and/or disputes. Ensure merchandise paid on a previous cycle under pay and confirm procedure has been ultimately received or institute the dispute procedure. Contact merchants to resolve unrecognized charges, defects or shortages of merchandise or services, or non-received merchandise. Follow the dispute procedures when billing disputes cannot be resolved with the merchant. A charge may be disputed within 60 days after receipt of CH statement.

(10) Acts as an Accountable Official. The CH will be held monetarily liable, as an Accountable Official to the Government, for the amount of any payment certified and paid based on false or negligent information provided to the approving official. Under 18 U.S.C. 287, misuse of the purchase card could result in a fine of not more than \$10,000 or imprisonment for not more than five years or both. Military members who misuse the purchase card are subject to court martial under 10 U.S.C. 932, UCMJ Art. 132.

(11) Retain a minimum of three (3) years, a copy of each Statement of Account, the log, purchase card receipts, quote documentation and any additional documentation in the purchase card file for audit purposes. Documentation (receipts) may include a charge slip, cash register receipts, packing list. Etc.

CHAPTER 3

PROGRAM MANAGEMENT AND TRAINING

3-1. Establishing a Navy NAF Purchase Card Program. The HA, or his/her designee shall review this SOP prior to any determination that a purchase card program is needed to support the mission of the activity. The HA shall ensure they have sufficient resources to maintain the required separation of duties to properly manage and monitor the program.

3-2 Delegation of Contracting Authority to Region/Local Activity. CNI Millington Det, HCA delegates NAF contracting authority. An activity must have a delegated warranted NAF contracting officer in order to establish a program. The HA must submit a request in writing to CNI NAF Millington Det for the establishment of the local program along with a nomination for the activity's primary APC and alternate. The APC serves as the focal point for overseeing the program at the regional/local activity and is the primary contact for CHs and AOs. Consider the following when identifying someone for the APC position:

- The knowledge and skills involving NAF procurement, financial policy and procedures as required for the individual to be successful in carrying out the duties and responsibilities associated with being an APC.
- The grade and job series associated with the position.
- The span of control, i.e., the number of purchase card accounts and/or transactions that will be involved in the program.

a. The APC must complete the required training as described in paragraph 3-4 in advance of appointment. After receipt of the APC's proof of training and appointment documentation, the Level 4 APC will submit APC set-up form to establish account with the bank. When the bank establishes the APC hierarchy account, the APC then becomes operational and can begin setting up local AO and CH accounts. The local HA, APC, and the Financial Manager shall coordinate and share data to establish applicable procurement, financial and operating policies and procedures that are in the best interests of the activity's purchase card program.

b. Setting up AO/CHs Accounts with the Bank. To set-up an account with the bank, the APC must complete the appropriate AO/CH account set-up form and fax to the bank. Prior to setting up an AO account or a purchase CHs account, the APC should verify that required training is completed and the AO/CH CHs has been properly designated. The required on-line training links and forms are available at the Navy MWR purchase card web site.

c. For further detailed procedures and information on setting up purchase card accounts, contact the Regional/Local Level 5 or Level 4 APC. Additionally, the online bank APC desk guide provides information for establishing and maintaining accounts. To access on-line bank training guides, go to the Navy MWR purchase card web site.

3-3. Delegation of Authority for AO and CH. HA or designee shall nominate approving officials in writing. The approving official's letter will outline the responsibilities and the monthly office limit. (See sample of current AO letter at Navy MWR purchase card web site.)

a. **Approving Official Monthly Credit Limit.** The monthly credit limit is a budgetary tool. It limits the approving official's sum of purchases during the billing cycle to a specified dollar limit. The monthly credit limit is determined jointly by the approving official (or supervisor), financial managers, and the APC. The monthly credit limit may be changed as necessary by the APC, but at no time shall an AO monthly credit limit exceed twice the sum of the AO total CH monthly spending limits.

b. **HAs or AO shall nominate CHs in writing.** The "CH Letter of Appointment" will outline a description of the type (supplies, services, and construction) of purchases the CH is authorized to make, and indicate the maximum dollar amount allowed for each single purchase, monthly total spending limit, responsibilities of the individual as well as any regional/local applicable restrictions. Additionally, all appointments shall state pecuniary and accountable official liabilities as well as possible administrative or criminal penalties. (See sample of current CH letter at the Navy MWR purchase card web site.)

(1) **CH Single Purchase Limit.** The limit is \$5,000 for CHs without contracting warrants. The single purchase limit restricts the total dollar amount of each individual purchase (an individual purchase may consist of multiple items). For new accounts, the APC should conduct an anticipated spending projection and set the single purchase limit accordingly. In the absence of any historical data information, a maximum single purchase limit of \$2,500 is recommended. The single purchase limit may be set in \$500 increments but cannot exceed the \$5,000, NAF purchase card threshold for non-warranted CHs. NAF contracting officers with a \$25,000 warrant may use the card to purchase amounts up to \$25,000 (\$50,000 for resale) not to exceed warrant authority amount. Purchases over \$5,000 must be the result of competition. The maximum limit for any single purchase with the NAF Purchase Card is \$25,000 (\$50,000 for resale), regardless of warrant authority.

(2) **CHs Monthly Spending Limit.** The monthly spending limit restricts the sum of the CH's total billing cycle purchases and is assigned in increments of \$100. CHs monthly spending limits shall be reviewed by the APC semi-annually. For existing accounts, review purchase history for the past twelve months, select the month with the highest expenditures and add 20%. For new accounts with no spending history the APC should anticipate the spending projection and apply the 20% allowance. In the absence of other information, a billing cycle limit of \$2500 is recommended.

3-4. Purchase Card Training. Prior to designation as a program participant, all prospective APCs, AOs and CHs shall successfully complete mandatory training. The initial training requirements mandate that potential program participants take the appropriate role based DON eBusiness Computer Based Training (CBT) and either the Defense Acquisition University (DAU) Computer Learning Center (CLC) DOD Government Purchase Card Tutorial, or the GSA "SmartPay Purchase Card Training." Additionally all APCs must complete one of the following Basic NAF procurement courses (or equivalents):

- Navy NAF Contracting Course
- Air Force or Army NAF Purchase Course
- DOD Small Purchase Course
- DAU/GSA Simplified Acquisition Procedures Course

a. Purchase card refresher training on current DON NAF policies and procedures and local internal operating procedures is required at least every two years. All CHs, AOs and APCs shall take the role based DON NAF eBusiness CBT. The DAU or GSA training is a one-time requirement.

b. Additionally, each APC must ensure that all program participants receive regional/local training information specific to a particular location. As a minimum, regional/local training for AOs and CHs will cover the following areas:

- (1) This SOP and local policies and procedures
- (2) AO/CH duties and responsibilities
- (3) AO/CH guides developed by bank
- (4) Local funding, billing, account/statement reconciliation, payment and file documentation and requirements for records retention
- (5) Property accountability procedures
- (6) Ethics
- (7) Regional/Local mandatory sources of supply
- (8) Local prohibited items and items that require pre-approvals
- (9) Disputes
- (10) Card cancellation, lost, stolen card procedure notifications
- (11) Employee reassignment, resignation, and termination notifications

c. The annual ethics training requirements for all Government employees is found in the Joint Ethics Regulations, DOD 5500, 7-R, as well as 5 CFR 2638.705. CHs who purchase in excess of \$100,000 per fiscal year must complete form OGE 450 and, therefore, are required to complete local annual ethics training. AOs who certify in excess of \$100,000 of purchases per fiscal year must also complete form OGE 450 and complete local annual ethics training. CHs and AOs who do not exceed these respective \$100,000 per fiscal year thresholds may still be required to complete form OGE 450 and complete local annual ethics training if required by their supervisor when, in the supervisor's judgment, the CHs or AO otherwise has duties involving the exercise of significant independent judgment over matters that will have a substantial impact on the integrity of DoN operations or relationships with non-Federal entities, or to avoid

actual or apparent conflicts of interest. All ethics questions, including those pertaining to training, should be directed to the Department of Navy's Office of General Counsel or Staff Judge Advocate, as appropriate.

d. The APC shall keep documentation of training for all participants under their purview for the duration the participant serves in this capacity and for three years beyond. Certificates are required by prospective and active program participants as proof of successful completion for all pertinent training requirements.

e. Each CH, AO and APC must receive a paper or electronic copy of this SOP. An electronic copy is available at the Navy MWR purchase card web site.

f. Any CH or AO who does not complete and keep current with the required biennial refresher training shall have their account immediately suspended. Accounts shall not be reinstated until the APC has verified that the required training has been completed.

3-5. Funding Considerations. AOs and CHs are responsible to ensure that funding exists in the approved nonappropriated fund budget before purchasing with the purchase card.

3-6. Purchase Card Use. The purchase card shall only be used for official, authorized, and funded purchases. The supply or service must be immediately available with one delivery (avoid backorders) and one payment being made according to policy. When using the card as a purchasing tool, items purchased shall not require technical inspection or maintenance agreements. The use of purchase card convenience checks is not authorized. All purchases must be performed by appointed individuals. The purchase card may be used at the merchant's point of sale, over the phone, fax, and online. CHs shall ensure that merchant web sites are secured. These web sites can be identified by the URL prefix <http://>. The purchase card may be used within the following single purchase limits:

\$5,000 for supplies, equipment and resale items
\$2,500 for nonpersonal services (if authorized locally)
\$2,000 for construction (if authorized locally)

NOTE: NAF contracting officers with a \$25,000 warrant may use the card to purchase amounts up to \$25,000 (\$50,000 for resale) not to exceed warrant authority amount. Purchases over \$5,000 must be the result of competition.

a. Purchases shall not be split into smaller buys to circumvent dollar thresholds. Splitting is the "intentional" breaking down of a known requirement to stay within a threshold (e.g., the CH's single or competition purchase limit) or to avoid having to send the requirement to the contracting officer. CHs shall not split a requirement into multiple transactions or split a requirement between CHs to stay within the established threshold. This is known as "splitting" requirements and is prohibited. All requirements

over a CH's single purchase limit should be forwarded to the servicing NAF Contracting Office to be accomplished via a purchase request.

c. Accountable supply items purchased with the purchase card shall be documented and reported to the appropriate local property control officer. Contact the local APC for further guidance.

d. Certain commodities/services must be purchased through mandatory sources of supply. The following mandatory sources are provided. Contact the local APC for additional guidance.

(1) 18 United States Code (U.S.C) 4124 requires NAFIs to buy supplies of the classes listed in the Schedule of products made in Federal Prison Industries, Inc. (FPI) at prices not to exceed current market prices. FPI, usually referred to by its trade name UNICOR, is a government corporation under the Department of Justice, providing supplies and services to the federal government. These goods and services are listed in the Schedule of Products Made in Federal Penal and Correctional Institutions, referred to as the "Schedule." FPI has priority, under 18 U.S.C. 4124 over workshops for the blind and severely handicapped in the production of commodities for sale to the government. Copies of the schedule are available at FPI, c/o Department of Justice, Washington, D.C. 20537. A "Schedule" should be kept on file. The customer service number is 1-800-827-3168 and web site is <http://unicor.gov/index.cfm>.

(2) 41 U.S.C. 48 requires NAFIs to buy required goods and services identified on the Procurement List of Supplies and Services provided by the Blind and other severely handicapped. Under the Javits-Wagner-O' Day Act of 1938, amended in 1971, certain supplies and services are provided to agencies of the federal government by workshops for the blind and workshops of other severely handicapped persons located in various cities. The customer service number is 1-800-433-2304 and web site is: http://www.jwod.gov/jwod/p_and_s/p_and_s.htm

3-7. Procedures for Cardholders.

a. Upon receipt of cards, CHs must be sure to call the telephone number shown on the sticker attached to the purchase card to activate the accounts. CH must know the single purchase limit assigned to them by their agency in order to activate their accounts.

b. Funds Availability. CHs shall ensure that funds are available prior to making purchases.

c. Price Reasonableness. CHs should ensure that a reasonable price is obtained by comparing prices offered by other merchants for the same or similar item or service.

d. Shipping Costs. CHs must consider shipping costs when purchasing merchandise that will be mailed or shipped to a location versus picked-up. The most frequent terms used to describe ownership and costs during the shipping process are Free-on-Board

(FOB) Destination and FOB Origin. FOB Destination means the merchant pays the shipping cost and retains ownership and risk of loss of the merchandise until it is delivered to the specified destination or port of embarkation. The shipping cost is included in the price of the merchandise line items listed on its invoice. FOB Origin means the merchant pays for the shipping costs and adds the cost as a separate line item on invoice. Ownership and risk of loss transfer to the NAFI as soon as the merchant releases the shipment to a common carrier. CHs shall obtain FOB Destination terms whenever possible.

e. **Tax Exempt Status.** Purchase card purchases are exempt from state and local taxes. At the time that the purchase is made, the CH shall advise the merchant that the transaction is for official Government/NAFI purposes, and is not subject to state or local tax. For additional clarification each purchase card has the words "US Government Tax Exempt" printed on the face. If a tax identification number/certificate is requested, the CH may obtain it from the local APC.

f. **Documentation.** CHs shall enter all transactions made by using a manual or computerized/automated purchase log. See purchase log at HQ Navy MWR Purchase Card web site. CHs will submit to their AO monthly, their statement and original purchase log along with all receipts, regardless of the method for rendering payment. All documentation shall be written in English with legible receipt names and signatures.

3-8. Liability of Cardholders and Approving Officials.

a. Intentional use of the purchase card for other than official government business may be considered an attempt to commit fraud against the U.S. Government/NAFI. Misuse may result in immediate cancellation of an individual's card, pecuniary liability, and negative administrative and/or disciplinary action against the CH and, if warranted, against the AO.

b. The CHs shall be held personally liable to the Government/NAFI for any non-governmental transactions. Under 18 U.S.C. § 287, misuse of the purchase card could result in a fine of not more than \$10,000, imprisonment for not more than five years, or both.

c. An AO is liable for improper payments resulting from misuse/abuse of the purchase card in accordance with provisions of 31 U.S.C. § 3528. AOs are liable for an illegal, improper, or incorrect payment due to an inaccurate or misleading certification. If a billing official is unsure about certification, he/she should contact the supporting APC for guidance and/or assistance.

3-9. Billing Cycle. The Department of the Navy's billing cycle begins on the 22nd of the month, and ends on the 21st of each month (or the last business day before the 21st if the 21st occurs on a weekend). The billing cycle will include those charges received and posted to the CHs account by Citibank within those dates. If the bank posted no charges to an account during a specific billing cycle, the CHs will not receive a monthly statement.

CHAPTER 4

PROHIBITED AND REGULATED PURCHASES

4-1. Prohibited Purchases. Prohibited purchases using the purchase card include:

a. Splitting purchases to avoid single purchase limits or competition thresholds. Repetitive purchases from the same contractor when another method of purchase, such as a blanket purchase agreement, purchase order or delivery order would be more appropriate.

b. Personal purchases.

c. Purchase of services exceeding \$2,500. Service contracts or maintenance services which require compliance with acts, laws, or executive order (e.g., Service Contract Act of 1965) and others that require written execution (e.g., special terms and conditions). EXCEPTION: Extended service warranties may be acquired with the purchase card at the time of initial equipment purchase. The purchase card can also be used to purchase services to repair or clean equipment, however, only when a fair and reasonable ceiling price can be established with the contractor that will not be exceeded.

d. Construction exceeding \$2,000, since they require contracts and compliance with acts, laws, or executive orders (e.g., Davis-Bacon).

e. Official NAFI travel expenses connected with travel orders including airline, bus, or train tickets, car rentals, lodging, or other travel related costs for Government/NAF employees. Excludes conference room rental supporting meetings/training, and local transportation such as subway fares, bus fares, parking etc., not associated with official travel.

f. Payment of travel claims, on the spot cash awards, salaries and wages.

g. Purchases from contractors or contractor's agents who are military or civilian employees of the Government/NAFI.

h. Convenience checks, wire transfers, cash advances, saving bonds, advance payments. ADVANCE PAYMENT EXCEPTIONS: Subscriptions, conference fees for early registrations, professional membership fees, and training seminars.

i. Long-term rental or lease of land or buildings.

j. Repair of leased vehicles.

k. Dating and escort services.

l. Betting, including lottery tickets, casino gaming chips, off-track betting and wagers at racetracks.

m. Transaction with political organizations.

n. Tax payments.

o. Asbestos or asbestos containing materials.

p. Ozone depleting substances.

q. Pesticides. Authorized only if prior approval is received from the cognizant Pest Management Consultant at the appropriate NAVFAC or BUMED division.

r. Commercial vehicles.

s. Any purchase where written contract enforcement may be necessary to protect the NAFI. CHs are not authorized to sign any contract or contractor's form that commits the NAFI to anything other than payment for authorized purchase card purchases. Purchases requiring the signing of a contract or contractor's form, or requiring written terms and conditions for the NAFI's protection, shall be forwarded to the NAF Contracting Office for procurement action via a purchase request.

t. Fireworks Display. An authorized NAF purchase requiring a written contract.

4-2. Merchant Category Code (MCC) Blocks. A MCC is a four-digit code assigned by the bank to a participating purchase card merchant based on the type of business they are engaged in and the kinds of goods and services they can provide. APCs will appropriately code each CH account to identify the types of purchase authorized. APCs can choose to use the NAF MCC exclusionary template named NAFIEXC listed below or other codes to further restrict CHs purchases. Other merchant category codes can be obtained from the E-Business web-site. In accordance with prohibited purchases above and other restrictions, CHs will be blocked from making purchases from merchants coded as follows.

NAFI Exclusion Template

Updated 7/29/03

4761	Telemarketing of Travel Related Services
4829	Wire Transfer Money Order
5681	Furriers & Fur Shops
5933	Pawn Shop
5960	Direct Marketing Insurance Sales
6010	Financial Institutions-Manual Cash Disbursements
6011	Financial Institutions-Automated Cash Disbursements
6012	Financial Institutions-Merchandise and Services;
6051	Non-Financial Institution - Foreign currency, money orders, traveler checks
6211	Financial Institutions-Merchandise and Services; Security Brokers/Dealers
6381	Insurance-Premiums
6399	Insurance - Not Elsewhere Classified
6529	Remote Stored Value Load - Member Financial Inst -MC
6531	Payment Service Provider
6532	Payment Transaction - Member Financial Inst
6533	Payment Transaction Merchant
6611	Overpayments
6760	Savings Bonds
7012	Timeshares
7273	Dating and Escort Services
7321	Consumer Credit Reporting Agencies
7511	Truck Stop Transactions
7524	Express Payment Service Merchants – Parking Lot
7833	Express Payment Service Merchants – Motion Picture
7995	Betting, including Lottery Tickets, Casino Gaming Chips, Off- Track Betting, and Wagers at Race Track
8651	Political Organizations
9211	Court Costs, including Alimony and Child Support
9222	Fines
9223	Bail & Bond Payments
9311	Tax Payments
9411	Government Loan Payments
9700	Automated Referral Service

If a CH determines that he/she must make a purchase from a source that has been blocked, the following procedures shall be followed:

Coordinate the following information through AO for review and final approval by Level 5 APC:

- a. Description of item(s), merchant's exact name and address
- b. Estimated dollar amount of the purchase.
- c. Expected date of the purchase.
- d. Efforts to locate a source other than merchant with a blocked MCC.
- e. Specify the mission essential need for this particular requirement (i.e., "a special magnifying glass to assist in detail circuit card wiring bought from a jewelry store"), and the merchant's MCC that must be overridden.

After approval, the Level 5 APC will contact the Bank to have this specific transaction approved from the restricted merchant. This process will not leave a restricted merchant open for repeat purchases without additional approvals.

4-3. Regulated Purchases. By local supplementation of this SOP, the senior NAF Contracting Officer or APC will provide further instructions as needed to authorize use of the purchase card for the following regulated items:

- a. Hazardous material (HAZMAT) and Hazardous Waste Disposal. CHs may purchase HAZMAT which are commercial items that are customarily sold to the general public. Examples are those items that are required on a routine basis to meet daily operational needs, such as, lubricants, batteries, toner cartridges, detergents, cleaning supplies, etc. The end user/CH must comply with established local installation or activity procedures for purchase of commonly used and all other HAZMAT. The CH is responsible for the appropriate local notifications and coordination of HAZMAT purchases.
- b. Vehicle Fuel, Oil, Maintenance Service and Repairs. Authorized for NAF owned vehicles when fuel is not available from local base sources or when Fleet Voyager cards are not available. Contingent on total number of vehicles owned by activity, the Fleet Voyager card might be a more practical method for price discount and since Voyager cards are not assigned to specific CHs.
- c. Personal clothing or footwear used as uniforms in conjunction with official duty or for safety.
- d. Telephone equipment and computer hardware/software. Prior approval is required through the activity's NAF contracting office and/or applicable installation telecommunications office or information technology office for purchase of computer hardware/software, major telephone services (e.g. FTS or DSN), telephone equipment cellular telephones, pocket pagers, answering machines, facsimile machines) and reprographic equipment.

e. Other equipment. Ensure accountable items are identified to the property control officer. Highly pilferable items, e.g. digital cameras, video cameras along with expensive equipment issued for personal use, e.g. handheld personal digital assistants or wireless communication or Internet access devices shall be closely monitored to ensure that the items remain in the overall custody and property records of the NAF activity.

f. Emergency airline, bus, train, car rental or other transportation services. The purchase card is not intended for use as a travel card when there are other programs or contracts for official travel. Documentation is required as to why proper procedures were not followed.

g. Hotel lodging , meals or transportation (fares, rental vehicles) for events or persons not covered by official travel orders. This excludes conference and meeting spaces. Documentation is required when purchasing lodging or transportation with the purchase card (e.g. patron local travel, sports team travel, etc.) A one-time notation on the CHs statement or a permanent memorandum for the record shall be executed for continuing requirements of this type, to ensure an audit trail and to justify such purchases that may be considered questionable by higher authority.

h. Unpriced service. A unpriced service is when an exact price cannot be immediately established in advance of providing your purchase card data to a merchant for equipment repairs requiring disassembly and diagnosis. Only purchase unpriced services for repairs of equipment using the purchase card when a fair and reasonable ceiling price can be established with the contractor that will not be exceeded.

i. Food Items. Ensure only food and beverage (light refreshment snacks) for meetings, conferences or training events is only purchased with the purchase card if there are special or unique circumstances requiring the purchase. Reference CNI N8/006 policy letter dated 3 Sept 2004 for further guidance.

4.4 Mandatory Sources and Screening Requirements. All purchases, whether by purchase card or not, are required to be screened for availability/consideration from the statutory sources of supply as indicated below.

a. Federal Prison Industries (UNICOR): Items or services at prices not exceeding current market prices in excess of \$2500 shall be purchased from the Federal Prison Industries if available. The web site for the Schedule of Products and ordering information is <http://www.unicor.gov/index.html>. Orders can be placed online or by phone.

b. As stated by the Javits-Wagner-O'Day (JWOD) Act, the National Industries for the Blind (NIB)/National Industries for the Severely Handicapped (NISH) are mandatory sources of supply. The JWOD web site at <http://www.jwod.gov> provides product and service catalogs and ordering information. There are also many JWOD commercial

distributors from which to obtain office products, cleaning supplies, and other JWOD products, along with thousands of commercial products. These authorized distributors offer a wide range of JWOD products with competitive pricing and convenient delivery terms. For an up-to-date list of large and small businesses that are authorized JWOD distributors and their contact information, go to <http://www.jwod.gov/distributors/>.

4.5 Other Sources. Products are also available from GSA Advantage online shopping at <http://www.gsaadvantage.gov>, GSA Global Supply at <http://www.GSAglobalsupply.gsa.gov>, or the DoD Electronic Mall at <http://www.emall.dla.mil>.

CHAPTER 5

PROGRAM CONTROLS, REVIEWS AND REPORTING REQUIREMENTS

5-1. Internal Controls. The HA or designee and APCs shall establish internal management controls to operate, manage and provide oversight of the local program. As a minimum the following controls shall be put in place to maintain the integrity of the purchase card program.

a. Proper separation of duties shall be maintained. Key duties such as making purchases (CHs), receiving merchandise (separate individual receiving material/services); authorizing payments (AOs), making payments (designated finance official), reviewing and auditing functions (APCs and Internal Review officials) will be assigned to different individuals to ensure proper management controls.

(1) At a minimum, a two-way separation of functions is required for all purchase card transactions. This is defined as one person making the purchase with the purchase card, and a separate person receiving and inspecting the merchandise. All receiving documentation shall be attached to the CH's monthly statement.

(a) If the CH picks up the purchase at the merchant's location, the end user or other designated receiving personnel, shall legibly print their name and title, then sign and date the receipt confirming independent receipt, inspection and acceptance of the material or services. If the CH is the end user, the CH shall ensure another Government employee co-signs, along with their printed name, title, and dates the receipt.

(b) If the CH purchases over the phone or online, the CH must obtain a separate receiving signature when the purchase arrives. The receiving individual shall legibly print their name and title, then sign and date the packing slip or receipt confirming independent receipt and inspection of the purchase.

(c) For subscriptions, a receipt indicating the beginning and ending dates of the subscription period should be attached to the CH's statement, and will suffice for receiving documentation.

(d) For purchases of training, the individual attending training shall provide a receiving signature attesting that the training was received and/or scheduled.

(e) For purchases shipped to a distant location, an email, faxed copy or other written documentation shall be obtained from the ship-to location attesting to receipt of the purchase.

(2) Dual roles should be eliminated. APCs shall not be AOs or CHs without a waiver granted by CNI Millington Det APC and the DoN eBusiness Operations Office.

AOs should not be assigned as CHs. If personnel considerations require an AO to be a purchase CH, under no circumstances shall any CH be his or her own AO. AOs shall, to the greatest extent possible, be the supervisor of the CH or be in the direct line of authority of the CH. Waivers for the APC dual role function shall be submitted to CNI Millington Det APC via the appropriate chain of command. The waiver should include justification for the unique conditions and shall specify effective oversight management controls that will be put in place.

b. Per the DoD span of control policy.

(1) APC to card accounts. Local Purchase Card programs shall be set-up to ensure that the ratio of level 5 APC to purchase card accounts does not exceed 1:300 (one APC to no more than 300 purchase card accounts. APCs have significant responsibilities and must have reasonable spans of control to accomplish their administrative, management and oversight responsibilities.

(2) AO to card accounts. Local Purchase Card programs shall be set-up to ensure that the ratio of AOs to purchase card accounts does not exceed 1:7 (one AO to no more than seven purchase card accounts). In addition, consideration should be given to the number of transactions per CH an AO is required to review. The APC should evaluate the timeliness and effectiveness of the AOs invoice review and certification process to ensure that the number of transactions for all card accounts allows the AO to complete a thorough prompt review for bill/invoice payment. If a region/activity wishes to exceed the DOD guideline of more than seven card accounts assigned to an AO, a request in writing via Level 4 to DON eBusiness office is required. This request must include the reasons why your region/activity is requesting exception to the Navy standard.

c. The APC shall review, as part of his/her annual inspections, activities that are operating under a waiver for internal management controls.

5-2. Fraud Indicators. APCs must report to CNI Millington APC any instances where the review of a questionable item is reported to the DoD IG or NCIS for further investigation. APCs, AOs, and internal reviewers need to be aware of certain fraud indicators, identified below, when reviewing purchase card transactions:

a. Documentation.

- (1) Photocopies instead of original documents.
- (2) Missing documentation to support purchases.
- (3) Obvious changes or whiting-out of information.
- (4) Information that is backdated.

b. Repetitive Purchases.

(1) Splitting requirements to avoid certain requirements or restrictions, i.e. single purchase limits.

(2) Not equitably distributing business among suppliers could indicate favoritism.

c. Suspicious Merchants. Purchases from merchants that do not appear to be mission related.

d. Purchases of high value items at low prices or low value items at high prices.

e. Returns/Credits.

(1) Did the NAFI receive the full credit for the item purchased?

(2) Is there a pattern of errors in billings, returns or credits?

f. Disputes. Frequent or repetitive disputes by a single CH.

g. Lost or Stolen Cards. Frequent or repetitive reports of lost or stolen cards by a single CH.

5-3. APC Reviews.

a. Monthly Review. The APC shall conduct and document the monthly transactional review. The review shall include all of the purchase card transactions within the previous month for all card accounts under the APCs cognizance. The review shall target the following elements:

- (1) Suspicious vendors in terms of mission requirements;
- (2) Split purchases;
- (3) Equitable distribution of business;
- (4) Exceeding the micro-purchase threshold;
- (5) Suspected fraudulent transactions;
- (6) Proper separation of function being performed; and
- (7) Verification the approving official has reviewed the CH's purchases.
- (8) Proper use of purchase card as payment method

A listing of monthly purchase card transactions, whether mailed by the bank, or pulled from bank reporting options, should be used for this monthly review. The APC should also review any suspicious purchases by reviewing the actual CH's log, merchant invoices, appointment letter, backup documentation, and the receiving signature.

b. Quarterly Review. Each quarter, the APC should perform maintenance on approving official and purchase card accounts to:

- (1) Ensure account profile information is current;
- (2) Ensure the span of control remains within specified limits (no more than seven card accounts to one AO, and no more than 300 card accounts per APC).

(3) Review approving official accounts to close those no longer having active CH accounts, and ensure approving official monthly limits are no more than twice the sum of assigned CH's monthly limits.

(4) Compare the account listing with personnel rosters and close any accounts not verified by the personnel office.

c. Semi-annual review: See paragraph 5-4. "APC Reporting Requirements" for review requirements to be performed every six months, to include reviewing CH accounts for frequency of use. Card accounts used less than 3 times in the past six months should be closed unless justified to the APC's satisfaction.

d. Annual review: Once each year APCs shall review the following:

(1) Review the continuing mission need for card accounts.

(2) Ensure ethics training and refresher purchase card training is completed as required.

5-4. APC Reporting Requirements. Currently a semi-annual review of all transactions is performed twice a year. It is recommended that the activity's Internal Review or similar operation perform this review, versus the APC, in order to eliminate any conflict of interest. The APC should oversee this review, and have full access to the review report and any backup documentation in order to effectively monitor and manage their program. The semi-annual review shall consist of an evaluation of local operating procedures, internal management controls and a transactional review. A general format, along with report due dates, will be provided to Level 5 APCs by CNI Millington, Level 4 APC. A copy of the completed report shall be provided to the activity's HA and the Level 4 APC. The reporting periods for the semi-annual review shall encompass the billing cycles of March 22 – September 21 and September 22 – March 21. The following areas must be covered in any Purchase Card Program Review:

a. Review of internal operating procedures to ensure compliance with current DoD/DoN purchase card directives and procedures;

b. Program compliance with applicable training requirements;

c. Appropriate delegations of authority;

d. Documented receipt procedures;

e. Invoice certification process;

f. Internal procedures to resolve disputes and monitor activity delinquencies;

g. Span of control (card accounts to approving official, and card accounts to APC).

- h. Account spending limits;
- i. List all transactions using Special Emergency Procurement Authority;
- j. Number of APCs, AOs and CHs;
- k. Provide weaknesses reported in the last semi-annual review and corrective action;
- l. Questionable transactions delineated below:

(1) Purchases not required to fulfill minimum immediate need to support NAFI mission.

(2) Purchases for personal use, not for Government use;

(3) Purchases that exceed authorized limits;

(4) Requirements that were split to circumvent thresholds;

(5) Purchases of prohibited items;

(6) Purchases from vendors that appear questionable in terms of mission requirements;

(7) Failure to screen for mandatory sources;

(8) Failure to make equitable distribution of business;

All APCs should complete the semi-annual review in a timely manner and return specific reporting elements in required format to the CNI Millington APC for consolidation and submission to CNI Level III APC for further consolidation and submission to eBussines.

5.5 Disciplinary Guidelines. Purchase card misuse, abuse, and payment delinquency will not be tolerated. The purchase card is for official government business only. It is the Department of the Navy's policy that improper, fraudulent, abusive, or negligent use of a government purchase card is prohibited.

a. Policy. It is DOD policy that in each case of improper, fraudulent, abusive, or negligent use of the purchase card by civilian personnel or military personnel, including any use at establishments or for purposes that are inconsistent with the official business of DoN or with applicable regulations, the supervisor of the responsible individual or parties will be informed in a timely manner in order that appropriate corrective, disciplinary or adverse action may be taken. Supervisors who receive information indicating that a civilian or military employee has engaged in any fraud, misuse or abuse

of a purchase card, shall take appropriate corrective or disciplinary/adverse action, including further investigation if needed.

All disciplinary actions taken or corrective measures implemented shall be documented regardless of the method (i.e. copies of emails identifying concerns/issues, suspension of accounts, special retraining efforts, etc.).

The HA shall formalize any alternate/different local policies and procedures identifying the formal and informal disciplinary actions and/or corrective measures that will be levied as a result of reviews revealing non-compliance with policies or procedures, fraud, misuse and/or abuse by program participants, i.e. APCs, AOs, CHs, including supervisors/managers. The intent of this policy is to ensure that management emphasis is given to the important issue of personal accountability for purchase card fraud, misuse and abuse. There is no intent to deprive managers and supervisors of their discretion in handling purchase card misuse in a manner appropriate to each individual case. The circumstances of each individual case will determine the appropriate type of disciplinary/adverse action, if any, that may be imposed. A progression of increasingly severe penalties is often appropriate in the case of minor instances of misuse, but more serious cases may warrant the most severe penalty for the first offense if abuse or fraudulent activity is prevalent. Clearly there is no single response appropriate for all cases. While the merits of each case may vary, timeliness, proportionality, and the exercise of good judgment and common sense are always important.

b. Guidance.

(1) Civilian Personnel. Civilian personnel penalty guidelines shall address offenses with respect to government purchase cards and shall indicate that the penalty of removal from government service is an available maximum option for a first offense in appropriate cases, as determined by the deciding official. See table (1) for a sample of potential purchase card offenses and recommended remedies or penalties for such offenses. The NAF personnel office should assist the supervisor in taking appropriate disciplinary/adverse action. Coordination with the appropriate legal office should occur early in the process, as required by DON policy.

Table 1:

The chart below provides a sample purchase card offense and recommended remedies or penalties. Supervisors must ensure that the disciplinary policies are consistent with this SOP. All disciplinary actions taken or corrective measures implemented shall be documented regardless of the method (i.e. copies of emails identifying concerns/issues, suspension of accounts, special retraining efforts, etc.). The HA shall formalize any alternate/different local policies and procedures that differ from those below that identify the formal and informal disciplinary actions and/or corrective measures that will be levied as a result of reviews revealing non-compliance with policies or procedures, fraud, misuse and/or abuse by program participants, i.e. APCs, AOs, CHs, including supervisors/managers.

OFFENSES	FIRST OFFENSE	SECOND OFFENSE	THIRD OFFENSE
Unauthorized use of or failure to appropriately monitor use of Government Commercial Purchase Card	Letter of Counseling to removal	14-day suspension to removal	30-day suspension to removal

(2) Military Personnel. Military personnel who misuse, abuse or commit fraud with the purchase card shall be subject to actions available under USD (P&R) Memo, "Disciplinary Guidelines for Misuse of Government Charge Cards by Military Personnel", 10 Jun 03, including counseling, admonishment, reprimand, nonjudicial punishment (Article 15, Uniform Code of Military Justice (UCMJ)), court-martial and administrative separation. In appropriate cases, pecuniary liability, referral for criminal prosecution in civilian courts, and civil enforcement action are other ways to hold military personnel personally accountable for charge card misuse.

In taking corrective or disciplinary action against military personnel who misuse or abuse the government purchase cards, commanders or supervisors shall use the procedures established for each action by the appropriate Military Department and consult with their legal advisors as necessary. In addition to corrective or disciplinary action, military personnel who misuse their government purchase card may have their access to classified information modified or revoked if warranted in the interest of national security. Commanders and supervisors shall follow previously issued guidance to ensure that security clearance reviews are conducted when the holder of a government purchase card comes under investigation for card misuse.

c. Head of Activity or designee. The HA or designee shall include the purchase card program in their management control program checklists, and ensure that suspected misuse and abuse of the purchase card is appropriately investigated.

d. Agency Program Coordinators (APC). APCs shall monitor to identify potential purchase card misuse, abuse or potential fraud and shall notify the employee's supervisors immediately in those instances of suspected misuse, abuse or potential fraud. APCs shall also notify CNI Millington Detachment in cases of suspected misuse, abuse or potential fraud and report all instances on the semi-annual review.

e. Approving Officials. The AO is the program's first line of defense against misuse, abuse and fraud. They are responsible for ensuring that all purchases made by CH

within their purview are appropriate, bona-fide and that the charges are accurate. Upon discovery of any improprieties, the AO must notify the HA or designee, and the APC.

f. Relationship to Security Clearances.

The review of the security clearance of the individual involved (or the modification or revocation of such security clearances in light of this review), in misuse, abuse or fraud cases, is not a disciplinary action and should not be treated as such. However, this does not preclude a separate and independent review of such misuse, abuse or fraud by the appropriate security managers. Modification or revocation of a security clearance will result in appropriate action, which could include reassignment or removal.

5-6. Delinquency Standards and Policy. The DoN standard for delinquencies stipulates that activities may not have more than 1.00 percent of their total receivables with the bank over 30 days past due. DoD policy requires the issuing bank to suspend any billing account that goes over 60-day delinquent.

a. All accounts under a billing account (Level 6, AO) will be suspended should the billing account exceed 60 days past due, regardless of amount.

(1) Before initiating suspension procedures, the bank is required to contact and notify the APC and designated billing office on two separate occasions.

(2) When an account reaches 45 days past due, the bank will request payment for the undisputed principal amount in writing or by documented telephone call to the APC and designated billing office. The bank will also provide a pre-suspension/pre-cancellation report that identifies the undisputed amount that is overdue.

(3) If payment for the undisputed principal has not been received 55 days past due, the bank will notify the APC and designated billing office electronically or in writing that suspension will take place if the payment is not received by the 5th calendar day after notification. The bank will also provide a point of contact at the bank to assist in resolving the past due account.

(4) If payment for the undisputed principal has not been received 60 days past due, the bank will suspend the account. The suspension will automatically be lifted once the undisputed principal amount has been paid.

b. Billing accounts that exceed 180 days past due will result in the entire activity (Level 5) being suspended.

5-7. Closing Cardholder and Approving Official Accounts. Ensure that the activity's checkout process includes a requirement to notify the APC of pending departures of AO and CHs prior to actual departure.

a. The APC shall ensure, to the maximum extent practicable, that the CHs account is suspended (reduced to no more than \$1.00 single and monthly spending limits) at least

30 days (one billing cycle) prior to the projected date of any transfer, retirement or termination. However, work with the CH's AO so as not to hinder mission requirements.

(1) Once the AO has verified that all transactions and payments have cleared the account, the APC will close the account. Under no circumstances shall an account remain open past the official detachment date of the CH.

(2) At least quarterly, the APC should compare their entire CH listing against the activity official personnel roster and close any CH accounts not verified by their personnel office. Activities shall take the necessary steps to ensure APCs are notified of reorganizations, personnel changes that would warrant cancellation of charge card authorization.

b. At least quarterly, the APC should review AO accounts. AO accounts shall be closed after all CH accounts under the purview of that particular AO have been closed.

c. Inactive Accounts. The APC shall ensure that any CH account that has not been used in the previous six months or is being used on average less than 3 times in 6 months is closed unless the AO submits an acceptable justification to the APC.

5-8 Lost or Stolen Cards. If a purchase card is lost or stolen, the CH will notify the bank immediately. In addition, the CH will notify the AO and APC as soon as possible, in writing. The notification shall include the following information:

- a. The card account number;
- b. The CH's complete name;
- c. The date and location loss became evident;
- d. Date and time the bank was notified. If card was known to be stolen, date and time reported to the police,.
- e. Purchases made on the card since it was discovered lost or stolen;
- f. Any other pertinent information.

5-9. File Maintenance and Records Retention. The APC shall establish an individual file for each approving official and CH. The file shall contain at a minimum the items listed below and shall be retained for the duration the employee serves in this capacity and for three years beyond.

- a. Written nomination for AOs and CHs;
- b. Proof of initial and refresher training;

- c. Copy of all appointment letters;
- d. Copy of account setup form (if processed manually) or a copy of the profile printed from bank web site.

NAF Finance Offices will retain purchase card financial records (statements, invoices, and backup documentation) for 6 years and 3 months.